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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB DOCKET NO. AB-1075X

**MANUFACTURERS RAILWAY COMPANY.
- DISCONTINUANCE EXEMPTION -
IN ST. LOUIS, MO**

ENTERED
Office of Proceedings
MAY - 2 2011
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Public Record

**UNITED TRANSPORTATION UNION'S COMMENTS REGARDING
MANUFACTURERS RAILWAY COMPANY'S
DISCONTINUANCE EXEMPTION**

United Transportation Union ("UTU") respectfully submits the following concerning the proposed discontinuance exemption filed by Manufacturers Railway Company ("MRS") in the above-captioned proceeding. Because the exemption contains misleading information, and this is not a true discontinuance of service, the Board should impose the *Oregon Short Line* labor protective provisions. MRS is seeking an exemption from the prior approval requirements of 49 U.S.C. § 10903, solely in an attempt to avoid labor protection due to its employees.

FACTS

Applicant MRS is a wholly owned subsidiary of Anheuser-Busch InBev ("Anheuser"). (Petition at 2, n.1). MRS was established in 1887 to provide rail service directly to and from Anheuser's plant in St. Louis, MO, and currently continues to receive 6 to 7 inbound carloads of grain, celite and magnesite per day. (Petition at 3). In addition to this rail service, MRS provides locomotive repair and maintenance, including traction motor reconditioning, auxiliary generator reconditioning, component reconditioning, and locomotive rewiring and storage for rail cars. (MRS website; Petition at 5).

UTU is the certified representative of train and engine service employees employed by MRS.

On March 22, 2011, MRS notified UTU that it was going to petition the STB to cease operations and that "all twelve employees represented by the UTU will no longer have a job." (Ex. 1).

On March 24, 2011, Applicant MRS filed a Petition for Exemption from the prior approval requirements of 49 U.S.C. § 10903 pursuant to 49 U.S.C. § 10502, to discontinue service over its "entire system" due to decreased traffic and loss of revenue on the line. (Petition at 1). MRS contends that it will discontinue all common carrier service, but will leave the rail assets and trackage intact (Petition at 6).

MRS is a class III carrier, whose rail assets in part consist of the following:

A line, roughly one (1) mile in length, running from Lesperance Street to Dorcas Street along the wharf (the "Brewery Line") which allowed access to the Terminal Railroad Association, Union Pacific Railroad, and the McArthur Bridge leading to the Alton and Southern Railroad.

A line, roughly 2.6 miles in length running from Zepp Street to Cedar Street mainly within right-of-way of Second Street in St. Louis (the "Second Street Line").

(Petition at 2-3). MRS contends that Anheuser is the only active customer on the "Brewery Line" and that currently only one shipper uses the "Second Street Line." (Petition at 2).

However, in a press release dated March 23, 2011, Foster Townsend Rail Logistics, Inc. ("FTRL") announced it had been selected to provide rail services in support of the Anheuser St. Louis brewery operations. (Ex. 2). Various websites have information regarding Anheuser's decision to file for a discontinuance of service exemption, while advertising the replacement of MRS with a new operator. (Exhibits 2-4):

ARGUMENT

Under 49 U.S.C. § 10903(b)(2), "[t]he Board shall require as a condition of any abandonment or discontinuance under this section provisions to protect the interests of employees." *Northern Lines Railway, LLC - Discontinuance of Service Exemption – In Sterns County, Minn.*, FD AB-1011-1-X

(STB Served 3-23-2011) (interests of railroad employees will be protected by conditions set forth in *Oregon Short Line*); *Montreal, Maine & Atlantic Railway, Ltd.—Abandonment Exemption—in Aroostook County, Me.*, FD AB 1043 (Sub. No. 1) (STB Served 4-15-2011) (interest of railroad employees will be protected by the conditions set forth in *Oregon Short Line*).

1. The Board Should Impose Labor Protection Because There is No Discontinuance of Service on the Entire System

While MSR seeks to cease operations on these lines and requests an exemption to do so, it failed to disclose in its Petition that its parent company Anheuser awarded a contract to Foster Townsend Rail Logistics, Inc. (“FRTL”), a rail company that provides contract rail switching, management and rail consulting, to provide the very same rail switching services to Anheuser for its brewery operations that MSR currently performs (Ex. 2). Clearly, there is no discontinuance of all service. Rather, there is merely a change in the way switching is performed for Anheuser. This announcement was made on March 23, 2011, one day prior to MRS filing its petition with Board. (*Id.*).

2. The Board Should Impose Labor Protection Because the Anheuser-Busch Corporate Parent Will Realize Substantial Financial Benefits

In its Petition, MRS argues that “because MRS has no corporate affiliate that will continue substantially similar rail operations, or a corporate parent that will realize substantial financial benefits . . . labor and protective conditions should not be imposed.” (Petition at 7) (citing *Mo. & Valley Park R. R. (MVPR) -- Discontinuance of Service Exemption -- In St. Louis County, MO*, STB Docket No. AB 1057X (STB served June 15, 2010). In *Mo. Valley Park R.R.*, the STB granted authority to cease operations without imposing labor protection because MVPR ceased all operations over its line, including maintenance along the line, after its lease expired in 2010. This case is easily

distinguishable because “[t]he only operational change will be that MRS trains will cease to operate over the line segments at issue” (Petition at 6), but FRTL will assume operations in support of Anheuser.

MRS acknowledges that “[n]o currently active rail shippers would lose service,” which fortifies the argument that there is no true discontinuance of all service, especially since Anheuser as the parent company of MRS is currently receiving 6 to 7 carloads of grain, celite and magnesite per day.

Under 49 U.S.C. § 10502(g) the Board will not impose labor protection when issuing discontinuance authority for railroad lines that constitute the carrier’s entire system unless evidence exists of: (1) a corporate affiliate that will continue substantially similar rail operations; or (2) a corporate parent that will realize substantial financial benefits over and above relief from the burden of deficit operations by its subsidiary railroad. Here, Anheuser, the parent company of MRS, stands to benefit financially from this transaction by contracting out the rail switching operations and reducing its labor expense.

It is clear that the discontinuance exemption MRS seeks is merely a means to get around the labor protection which should rightly be imposed on this transaction.

CONCLUSION

For the foregoing reasons, UTU believes that detailed scrutiny of this transaction is warranted and labor protection for the employees is necessary.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This will certify that copies of the foregoing United Transportation Union's Protest have been served this 2nd day of May, 2011, via first-class, postage pre-paid mail upon the following:

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/s/ Clinton J. Miller, III
Clinton J. Miller, III



**Manufacturers
Railway Company**
ONE OF THE FIRST • ESTABLISHED 1840

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March 22, 2011

Mr. David B. Wier, Jr., General Chairman
United Transportation Union
260 Regency Center
Coffinsville, IL 62234

RE: Manufacturers Railway Company (MRC)

Dear Mr. Wier:

As you probably realize, operating a competitive railway has become increasingly difficult. Our business has been in a steady decline for the last several years. The number of rail customers has decreased consistently over this time. At this point, the few customers serviced by MRC no longer send or receive shipments by rail, and Anheuser-Busch (A-B) now only receives grain by rail. As a result of all these changes, MRC can no longer operate a full-service railroad. This was certainly not an easy decision to make, but MRC has no other choice but to close its business operations.

In order to cease operations, MRC must petition the Surface Transportation Board (STB) in Washington, D.C. We anticipate filing this petition on or about March 24, 2011. After the filing, MRC expects a decision on whether it can cease operations in approximately four and one-half months. Obviously, we will notify you of any final decision by the STB, and the cessation of MRC's business operations, will only commence when authorized. Assuming authorization, all twelve employees represented by the United Transportation Union will no longer have a job with MRC.

In conjunction with this notice to you, MRC is contemporaneously notifying the National Railway Labor Conference (NRLC) of its intent to withdraw from national bargaining. Accordingly, MRC will be available to meet with you in order to discuss the effects of its decision to discontinue its business operations. MRC suggests that these discussions be held at MRC offices in St. Louis, Missouri. Please contact me to set up a mutually convenient time for these discussions.

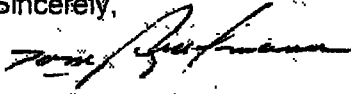
Manufacturers Railway Company
One Arsenal Street
St. Louis, MO 63118-3319
(314) 577-1700



In that regard, please be advised that one of the topics MRC is willing to discuss is an appropriate incentive for employees to keep working for MRC, in order to keep operations ongoing between the time of the filing of the STB petition, until the final decision/approval of the STB. Finally, please keep in mind that any and all discussions, and any agreements reached therein, must be made contingent upon a final STB decision that will permit the cessation of MRC's business operations.

I want to tell you how much MRC has valued the contributions made by all the employees represented by the United Transportation Union for the last 25 years. We do not take this step lightly, nor do we take it without a deep and abiding appreciation for all the committed service to MRC shown by your members. We wish you and our employees nothing but the best in the future. We look forward to meeting with you.

Sincerely,



Tom Buschmann

cc: Mr. Malcolm B. "Mike" Futey, Jr.
International President
United Transportation Union
14600 Detroit Ave.
Cleveland, OH 44107-4250

Mr. Todd J. Nottmeier, Local Chairman
United Transportation Union
704 Bollman Ave.
Edwardsville, IL 62025-2604



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Welcome to FTRL Railway

FTRL Railway (Foster Townsend Rail Logistics, Inc.) is a rail company that provides contract rail switching, railroad management and rail consulting.

FTRL Railway creates the opportunity for its clients to focus on their core objectives by delivering:

- Operation of Short Line railroads
- Rail Switching Services
 - Complete "turn-key" Operations
 - Rail Switching Services to augment a client's current rail switching resource
- Strategic Rail Consulting in the following areas:
 - Operations
 - Traffic
 - Mechanical
 - Safety
 - Engineering



- Rail training, certifications, etc.
- Operation of trans-loading facilities

FTRL Railway's core principles include: safety, customized service with a customer first approach, value based pricing, integrity and hard work.

FTRL Railway owns and operates its own locomotives and rail switching equipment ranging from switch units to six-axle, high-horsepower units.

FTRL Railway provides a wide range of services in multiple facility types.

- ***Press Release – March 23, 2011***

- **FTRL Railway Signs Anheuser-Busch**

FTRL Railway was informed today that it has been selected by Anheuser-Busch to provide rail switching services in support of the A-B St. Louis brewery operations.

FTRL Railway has been growing rapidly over the last few years by providing rail switching services, railroad management and rail/transportation consulting with its headquarters in the Metro St. Louis area.

"We are very excited to be serving Anheuser-Busch. This will be a very important customer for us," said Bill Broyles, FTRL Railway's President and Co-founder. Bill Broyles is no stranger to the Anheuser-Busch rail operation or the rail market in St. Louis. Bill had a long career with Norfolk Southern, and he has served in numerous transportation and supervisory roles including president for a local rail switch carrier in the St. Louis area that is owned by the five major Class 1 railroads before starting FTRL Railway in 2008.

Bill Broyles teamed up with his son, Aaron Broyles, and Larry Malashock, former owner of Software Plus, and together they were able to assemble a debt free, well capitalized business with a very deep roster of rail veterans. FTRL Railway is positioned for steady growth over the next several years with plans to continue expanding in the Metro St. Louis area in addition to new markets in Chicago, Kansas City and central Illinois.

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Stat History
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Anheuser-Busch Ceases Shipping Beer By Rail

March 28th, 2011 · 3 Comments

Manufacturing and Industry · Railroads



BNSF Railway merchandise train rolls through Galesburg on May 8, 2009 with a block of boxcars containing Anheuser-Busch products bound for Coon Rapids, Minnesota.

I didn't see this coming, though others probably did. Anheuser-Busch's new owner, InBev, apparently thought using the company's own truck subsidiary was a better deal for the shipment of beer to distributors. Most shipments went by truck anyway. The last boxcar loaded with A-B products left the St. Louis brewery on March 13.

Even worse, the decision has prompted the brewer's own shortline railroad, Manufacturer's Railway, to petition the Surface Transportation Board for a Discontinuance of Service Exemption. That carrier is losing money and the brewery's decision to cease rail-shipping makes their situation unsustainable.

Now let's be clear, Anheuser-Busch has not dropped all rail service. It continues to receive on average 6-7 carloads of grain, celite and magnesite each day for its St. Louis beer-making operations. A replacement, probably a Class 4 Switching Carrier, will get a contract to switch the brewery's remaining rail traffic. MRS's filing, if and when approved by the STB, will let that happen.

Anheuser-Busch has numerous breweries around the United States, so distribution tends to be mostly short haul. That's not a competitive market for railroads when handling non-bulk merchandise. Most of A-B's rail shipments out of St. Louis went to the Coon Rapids, Minnesota distribution center that opened in the late 1990s.

There was at least one other rail destination in recent years. In February 2009, I noticed two empty beer cars on a Union Pacific freight that I knew was running from Des Moines, Iowa to E. St. Louis. UP serves A-B affiliated Doll Distributing LLC in Des Moines.

With fuel prices soaring, I wouldn't be surprised to see A-B reverse its decision. Even in the near future.

- David P. Jordan

3 responses so far ↓

- 1 David in Chicagoland // Mar 30, 2011 at 2:34 pm



If you believe rising fuel prices may make A-B change its mind regarding shipping by rail this short haul route, do you also believe that the railroads will become competitive again for short haul distances in the next 3-5 years?

- 2 David P. Jordan // Mar 30, 2011 at 6:49 pm

Well...I said I wouldn't be surprised if they changed their mind. ☺

To answer your question though, heavy bulk freight like aggregates, coal, grain and grain products, scrap metal and steel already move over short distances. It really depends on the origin and destination, how efficiently, the railroad(s) can move it, railcar supply and whether they really want the business. The recent spike in fuel prices should divert more of this type of traffic to the railroads. Most long-term gains, however, will come from intermodal.

- 3 David is St. Louis // Apr 16, 2011 at 3:58 pm

I was a bottler in whs. and shipping for 21 years. No one brewery makes every beer brand and every package. We regularly got beer that we didn't make shipped to us by rail, and we shipped directly to other breweris. A lot from Ft. Collins. When the west coast had an earthquake, we shipped hundreds of cars to Calif. The Coon Rapids cars always went by way of BNSF on the MADGAL (Madison - Galesburg) and beyond. The Coon Raids cars were always on the head end of the train. We also shipped alot of draft by rail. MRS cars mostly because they were insulated and we used dry ice.

A-B got rice from the Cotton Belt (UP) and malt from the north, usually CNW. We also got CO2 by rail car.

Since A-B forced all distributors to use JB Hunt for beer shipments, I guess rail shipmens have declined.

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- [Anheuser-Busch Selects Carrier to Service St. Louis Brewery.](#)



Anheuser-Busch route to survive under new operator

Published: April 8, 2011

ST. LOUIS — Anheuser-Busch will continue to receive rail service after its rail subsidiary, the Manufacturers Railway, shuts down. FTRL Railway has won the contract to provide local operation to the brewery.

Anheuser-Busch ceased shipping beer by rail last month, leaving Manufacturers only six to seven daily inbound carloads. That wasn't enough for it to keep the railroad in operation, and it applied last month for federal permission to shut down. Instead, it's apparently reached an agreement with FTRL, also known as Foster Townsend Rail Logistics, to operate the line.

FTRL is a contract switching service with operations in the St. Louis area. TRAINS was not immediately able to reach an FTRL official for details of the transaction.

